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91406



NEW ZEALAND QUALIFICATIONS AUTHORITY
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SUPERVISOR'S USE ONLY

Level 3 Accounting, 2015

91406 Demonstrate understanding of company financial statement preparation

2.00 p.m. Monday 30 November 2015
Credits: Five

Achievement	Achievement with Merit	Achievement with Excellence
Demonstrate understanding of company financial statement preparation.	Demonstrate in-depth understanding of company financial statement preparation.	Demonstrate comprehensive understanding of company financial statement preparation.

Check that the National Student Number (NSN) on your admission slip is the same as the number at the top of this page.

You should attempt ALL parts of all questions in this booklet.

Pull out Resource Booklet 91406R from the centre of this booklet.

If you need more room for any answer, use the extra space provided at the back of this booklet.

Check that this booklet has pages 2–12 in the correct order and that none of these pages is blank.

YOU MUST HAND THIS BOOKLET TO THE SUPERVISOR AT THE END OF THE EXAMINATION.

Not Achieved

TOTAL

4

ASSESSOR'S USE ONLY

QUESTION ONE

- (a) *Fashnz Limited*, a supplier of designer clothing, has the following equity account balances on 1 April 2014.

Contributed equity (400 000 fully paid shares)	1 280 000
Retained earnings	230 000

Prepare the General Journal entry to record the payment of the 2014 final dividend of 12 cents per share on 15 May 2014 by *Fashnz Limited*.

Fashnz Limited General Journal

15/5/2014	Final Dividend	48 000	
	Bank		48 000
	Payment of 2014 final dividend		

- (b) The General Journal entry below shows the repurchase of shares by *Fashnz Limited* at a fair value of \$5 per share.

Fashnz Limited General Journal

19/8/2014	Contributed equity	32 000	
	Retained earnings	18 000	
	Bank		50 000

Explain the effects of this transaction on both the contributed equity and retained earnings ledger accounts. In your answer, explain how the figures were calculated, including the number of shares repurchased by *Fashnz Limited*.

When *Fashnz Limited* repurchased the 10 000 shares (at a fair value of \$5 ie 50 000) contributed equity is debited as there are less shareholders, and retained earnings is also debited because of this (final dividend ↓) bank is credited as it took \$50 000 out of the Bank (current asset) to repurchase the shares.

- (c) On 1 September 2014, *Fashnz Limited* employed a share broker to manage offering the public 100 000 shares in the company at \$6 per share. On 1 October 2014, the share broker issued the 100 000 shares, and the net proceeds of the share issue were given to *Fashnz Limited*, after deducting 5% for brokerage fees.

Prepare the journal entry to record this transaction.

Fashnz Limited General Journal

1/10/2014	Contributed Equity	600 000	60
	Bank	600 000	
	Brokerage fee		5
	Net proceeds of share issue received from share broker		

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2/2

- (d) On balance day, *Fashnz Limited*'s accountants recorded the following general journal entry.

Fashnz Limited
General Journal

31/3/2015	Income summary	140 000	
	Taxation payable		140 000

Additional information

- An interim dividend (2015) of \$73 500 was paid on 1 November 2014.
 - Profit before tax is \$510 000 for the year ended 31 March 2015.
 - An independent revaluation of *Fashnz Limited*'s land was received on 31 March 2015 that determined a fair market value for land of \$900 000. The ledger account balance for land at 1 April is \$750 000 DR.
- (i) Complete the General Ledger – Retained Earnings account from 1 April 2014 to 31 March 2015, using the General Journal entry and additional information above, and other relevant information from (a), (b), and (c). The opening balance has been entered.

Fashnz Limited
General Ledger – Retained Earnings

1/4/2014	Balance			230 000	CR

- (ii) Complete the Shareholders' equity section of the Statement of Financial Position (extract) as at 31 March 2015, using the additional information above, and other relevant information from (a), (b), and (c).

Fashnz Limited
Statement of Financial Position (extract) as at 31 March 2015

Shareholders' equity	

ASSESSOR'S
USE ONLY

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The examination continues on the following page.

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Refer to **Resource A** in Resource Booklet 91406R.

- Note:

- The company did not undertake any investing activities during the year.
- Show your working, which may be marked.

WORKING

[illegible]

Refer to **Resource B** in Resource Booklet 91406R.

- (a) Complete the Statement of Comprehensive Income for *Antiques Online Limited* for the year ended 31 March 2015. You are not required to prepare the Notes to this statement.

Antiques Online Limited
Statement of Comprehensive Income for the year ended 31 March 2015

	NZ\$	NZ\$
Revenue - Sales	586000	
Other Income:		
Dividends Received	1500	
Increase in fair value of financial assets	5000	
Total Revenue		592500
Less expenses		
Less Auditors Remuneration	3500	
Cost of Sales	190000	
Directors fees	25000	
Electricity	7400	
Other expenses	44950	
Salaries	77000	
Interest on Loan	10500	
Total expenses Depreciation on Buildings	7500	
Depreciation on Equipment	4320	
Total expenses		370170
Net Profit		222330
Tax expense	69000	183330
Net Profit After Tax		153330

- Current assets \$133 760
- Current liabilities \$26 275
- Non-current assets \$485 080
- Non-current liabilities \$150 000

Explain, using the totals above, how the directors of *Antiques Online Limited* satisfied either the Liquidity Test OR the Balance Sheet Test requirement of the Solvency Test when making the dividend declaration.

[illegible]

QUESTION
NUMBER

A3

Not Achieved exemplar for 91406 2015			Total score	04
Q	Grade score	Annotation		
1	N1	This is an N1 because it shows understanding of the final dividend payment journal entry in question 1 (a), but did not attempt question 1 (d) and there was insufficient evidence in question 1 (c).		
2	N0	This is an N0 because the candidate did not attempt this question		
3	A3	This is an A3 because it shows understanding of how to complete a Statement of Comprehensive Income with some incorrect stems. The candidate did not attempt question 3 (b) so was not able to gain any higher than an A4 in this question.		